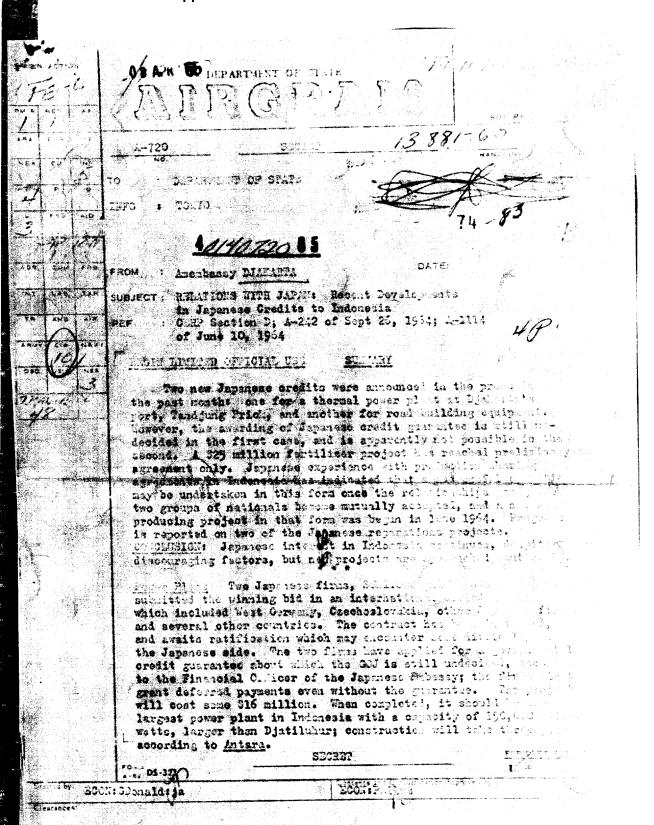
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Road Building Bouloment During mid-Partuary, when the roads were beginning to recover from the deviatating effects of extreme rains, the GOI Department of Public Works announced that Japan would provide \$2.5 million worth of read building equipment. Within the GOI budget, h 12 billion is to be spent on repairs — with amphasis on roads in Djakarts and the Djakarts — Bandung highway. Vesnehile the usual patching operations are in process, but this year Freedom SUKARIO because sufficiently aroused by the potholes — which were unusually bed — to the point of ordering that some of the most heartly used foods be rebuilt with stronger foundations.

We to the told the reporter, however, that no GOJ governmental credit guarantse was in prospect. While some of the Japanese emporters may grant deferred payment terms of less than one year, the sajority - reprienting about 32 million worth of a total scare/here between 32 and 33 million - were asking for each, chiefly dollars. His information was that the GOT was nevertheless moving shead with the conclusion of contracts rather than trying to find lenders in other countries; this indicates a new soriousness in the attention to the reads here.

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Samples Michael and Pertilizer Plant Anters reported that the Jacobese would conduct a Slope Survey for the trans-Samples higher, and Toshino confirmed that 6 million yen had been included in the 1955 GOF budget for that purpose but said that nothing further has been projected. Another project, reported by <u>Parlings and it</u>, concerned a 225 million espansion of the Sriwidjaja fertilizer plant in Parliables from 100,000 to 200,000 tons capacity. Yoshino said that the first in emettion, TOTO MARKE KAISHA, had been negotiating with the GOT and has probably signed a preliminary agreement. But a project on this scale could not be initiated without a credit guarantee, and the GOT was giving it a Jacobe preliminary than the power plant (discussed above).

Production Sparing A new project for sugar production on the island of Geram was agreed upon in late 1964, though a number of technical questions remain to be settled. The first shipment of equipment has already arrived. (Note this can be added to the list of production sharing projects in 4-242 of 9/25/64, and the date of the Kaliuman timber project can be defined as late 1963.) Regarding the production sharing method of investment in Indonesia, of which depen has been the first and most active practitioner, Yoshino expressed guarded opticis. Initial experience has in fact encouraged others to follow this methods not at a rapid pace (the four Total and the first calls,) that the Indonesians usually wanted to manage everything without knowing what they were doing, and only with time came to give ciate the value of Japanese expertise and adapt themselves to an officiently productive ocexistence.

Progress Reports The diversion tunnel and offer dam on the Brentus river were formally dedicated last Lovember, which constituted a completion of the first phase of the 20 million Karangkates irrigation and flood control project - the largest project under the Japanese reparations agreement. Consulate Surabaya reports that the main dam is to be built by the Indonesians, with Japan supplying technicisms only, whereas the first phase was handled entirely by a Japanese firm, KAJIM CONSTRUCTION CO. The GOI has been wavering on whether or not

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install generating equipment in a dan concaived for flood control and irrigation only. Most recently it has been decid i to install four E-magnest's generators if they can be financed - they do not fall under the Japanese reparations agreement.

The \$3.5 million paper mill at 7 to 1, 10 decides, Settles 1953, which is completed on materials, but should be provided by the should be provided to delegate in arrival of construction materials, but should be provided to 50 tons. Although pine is ordinarily used for making paper, this factory was specially designed to use bankoo in order to the advantage of a 9,000 bectare bankoo forest nearby - more than a terry resupply. Japanese experts are assisting in the construction under Indonesian supervision. The project does not form a part of the reparations program, but the credit for its construction is guaranteed by the Japanese reparations as pledged by the COI.

Miscellangua: Ir. Yoshino stated that as of new over 190 million in loans to Indonesia had been guaranteed by the reparations money, and that about 320 million of this has been repaid in dollars.

Perhaps 275 or \$50 million remained unpaid, he estimatel.

The "emergency" \$12 million credit, originally granted as part of the international support for Indonesia's 1963 stabill than program, had been hald up after the colleges of that program it was revived in 1964, and by now all but 1940,000 has be obligated and deliveries are in process.

For the Aubasando :

Perry Ellis

Counselor of Revensy for Economic Affairs

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